

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 NEAE-00 AID-31 IGA-02 EB-08 L-03
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FM AMEMBASSY CAIRO
TO SECSTATE WASHDC PRIORITY 8604

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PASS TO AID

FOR ATHERTON AND WHELLER FROM AMBASSADOR

E.O. 11652: N/A
TAGS: EAID EG
SUBJ: IMPLEMENTATION OF HUMPHREY AMENDMENT

REF: (A) CAIRO 13842 (B) CAIRO 13862

1. MEETING WAS HELD AUGUST 22 WITH DEPUTY PRIME MINISTER QAYSUNI,
MAJOR SUBJECT OF WHICH OF WHICH WAS DISCUSSION OF HUMPHREY AMENDMENT.
QAYSUNI
HAD ARRANGED FOR PARTICIPATION BY MINISTER ECONOMY EL SAYEH, DEPUTY
CHAIRMAN OF INVESTMENT AUTHORITY GAMAL EL NAZER, AND HIS AIDE FOUAD
HUSSEIN. I WAS ACCOMPANIED BY USAID DIRECTOR ANE CONOMIC COUNSELOR.

2. I MADE SAME BASIC PRESENTATION TO QAYSUNI ABOUT THE HUMPHREY
AMENDMENT AS HAD BEEN EARLIER MADE TO SADAT (REFTEL B),
ALTHOUGH IN CONSIDERABLY GREATER DETAIL. I PARTICULARLY NOTED
WITH WAYSUNI OUR HOPES
FOR CLOSE COLLABORATION WITH APPROPRIATE GOE OFFICIALS IN THE
PPREPARATION AND REVIEW OF THE REQUIRED REPORT WHICH MUST BE
PRESENTED TO CONGRESS ON FEBRUARY 15, 1978. I STRESSED OUR HOPE
THAT WE COULD LOOK TO THE GOE

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TO HELP US IN PROVIDING ACCESS TO KEY DOCUMENTS WHICH WOULD BE
USEFUL IN PREPARATION OF THE REQUIRED REPORT.

3. QAYSUNI AND HIS COLLEAGUES LISTENED CAREFULLY TO THIS
PRESENATION. QAYSUNI REPLIED THAT THE GOE WELCOMES THE PROPOSED
STUDY AND REPORT. HE SAID THAT THE MORE WE SUBJECT EGYPT'S
ECONOMIC PLANNING AND PERFORMANCE TO ANALYSIS AND STUDY, AND THE MORE

DEEPLY WE LOOK AT AND HOW U.S. ECONOMIC ASSISTANCE CAN SUPPORT EGYPT'S ECONOMIC EFFORTS, THE BETTER CAN BE OUR PLANS AND THE MORE RAPID THE IMPLEMENTATION OF THESE JOINT EFFORTS. THUS HE BELIEVED THE STUDY WOULD HAVE A VERY STRONG POSITIVE IMPACT ON EGYPT'S OWN INTERESTS. HE EXPRESSED PARTICULAR APPRECIATION AT THE POSITIVE STATEMENT IN THE HUMPHREY AMENDMENT THAT THE CONGRESS WOULD BE PREPARED TO CONSIDER LEGISLATIVE CHANGES FOR GREATER PROGRAM FLEXIBILITY IF THE STUDY SHOULD DEMONSTRATE SUCH CHANGES AND DESIRABLE.

4. ON MORE SPECIFIC ISSUES REGARDING MATERIALS FOR THE STUDY, QAYSUNI MADE THE FOLLOWING POINTS:

A. FOUAD HUSSEIN AND GAMAL EL NAZER WILL BE PRIMARY DAY TO DAY CONTACTS BETWEEN US AND GOE OFFICIALS CONCERNED WITH THE STUDY. HUSSEIN HAS DIRECT DAILY ACCESS TO QAYSUNI. GAMAL EL NAZER HAS THE SAME RELATIONSHIP WITH THE MINISTER OF ECONOMY. QAYSUNI SAID THAT HE AND EL SAYEH WILL BE PREPARED THEMSELVES TO INTERVENE AND ASSURE AVAILABILITY OF OFFICIALS AND DOCUMENTS IF AT ANY TIME THAT IS NECESSARY. B. REGARDING THE PLAN, IT SHOULD BE READY IN FINAL FORM IN 2-3 WEEKS. QAYSUNI WILL DO ALL POSSIBLE TO MAKE IT AVAILABLE TO US PROMPTLY. IN RESPONSE TO A QUESTION WHETHER THE PLAN WILL BE AVAILABLE IN ENGLISH, QAYSUNI DID NOT INDICATE WHAT PLANS THERE WERE BUT IMPLIED HE WOULD PUSH FOR A PROMPT TRANSLATION. THE AMBASSADOR SAID WE WOULD, OF COURSE, BE HAPPY TO RECEIVE PLAN LIMITED OFFICIAL USE

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DOCUMENTS IN

ARABIC IF THEY ARE READY FIRST IN THIS FORM, BUT IT WOULD OBVIOUSLY BE MORE VALUABLE IF AN ENGLISH VERSION COULD BE PROVIDED SOON.

C. REGARDING THE FORTHCOMING IBRD ECONOMIC REPORT AND ITS SECTORAL ANALYSES, QAYSUNI FIRMLY AGREED WE SHOULD BE ABLE TO SEE IMMEDIATELY WHATEVER IS AVAILABLE, EVEN IN DRAFT FORM. SINCE THIS MATERIAL CAN BE MOST EASILY OBTAINED FROM IBRD ITSELF, QAYSUNI SAID HE WOULD INSTRUCT THE EGYPTIAN EXECUTIVE DIRECTOR TO RAISE THIS MATTER WITH THE IBRD IN ORDER TO GET DOCUMENTATION PROMPTLY TO AID. (AFTER FORMAL MEETING, USAID DIRECTOR AND FOUAD HUSSEIN MET FURTHER TO DRAFT MESSAGE TO EGYPTIAN EXECUTIVE DIRECTOR WHICH WILL PROBABLY BE SENT AUGUST 23. SUGGEST AID A/NE WHEELER MAY WISH TO FOLLOW UP WITH EXECUTIVE DIRECTOR AND WITH IBRD STAFFER KHALID IKRAM LATER THIS WEEK).

D. REGARDING GERMAN ECONOMIC REPORT, QAYSUNI UNDERSTOOD THAT THIS WAS DUE TO BE PRESENTED IN SEPTEMBER, BUT THIS IS A REPORT WHICH WILL GO TO THE PRESIDENT RATHER THAN THE CABINET. HE WOULD OF COURSE DO WHAT HE COULD TO MAKE IT AVAILABLE TO US. AMBASSADOR SAID HE WILL ASK PRESIDENT TO ALLOW US ACCESS TO MUELLER MATERIAL.

5. DURING COURSE OF DISCUSSION, QAYSUNI MADE FOLLOWING RELATED

POINTS OF INTEREST:

A. HE UNDERSTANDS WHY CONCERN HAS BEEN EXPRESSED ABOUT THE BALANCE BETWEEN SHORT TERM AND LONGER TERM DEVELOPMENT FINANCING BY AID. EGYPT TOO WOULD LIKE TO BE ABLE TO DEVOTE MORE OF RESOURCES TO LONGER TERM DEVELOPMENT. HOWEVER, IN THE SHORT RUN THERE ARE A NUMBER OF PROBLEMS WHICH FACE THE GOE AND THATE ARE A NUMBER OF STEPS TO BE TAKEN ON REFORM MATTERS AND IN POLITICAL RELATIONSHIPS WHICH MAKE IT DIFFICULT TO MOVE TOWARDS TOO GREAT A SHIFT FROM BALANCE OF PAYMENTS TO LONGER TERM DEVELOPMENT FINANCING IN FY 1978, HE DID NOT THINK IT WOULD BE POSSIBLE TO GO ALL THE WAY TO THE \$250 MILLION SHOWN IN THE FY 1978 CONGRESSIONAL PRESENTATION BUT THAT PROBABLY A FIGURE CLOSER TO \$350 MILLION WOULD BE MORE APPROPRIATE.

B. QAYSUNI ALSO EXPRESSED UNDERSTANDING ABOUT CONCERN EXPRESSED LIMITED OFFICIAL USE

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IN THE AMENDMENT REGARDING THE ROLE OF THE PRIVATE SECTOR. THE GOE AGREES THAT THE PRIVATE SECTOR MUST PLAY AN INCREASINGLY IMPORTANT ROLE IN INDUSTRIAL DEVELOPMENT AND RELATED SECTORS, WITH GOVERNMENT RESOURCES BEING DEVOTED TO A LARGER DEGREE TO INFRASTRUCTURE AND OTHER ACTIVITIES NOT OF INTEREST TO THE PRIVATE SECTOR. QAYSUNI FELT THAT AID'S EFFORTS TO SUPPORT THE PRIVATE SECTOR THROUGH THE DEVELOPMENT INDUSTRIAL BANK AND THE CIP PROGRAM ARE LAUDABLE. HE ALSO FEELS THAT DIRECT FOREIGN INVESTMENT IS NOW BEGINNING TO PLAY AN INCREASINGLY IMPORTANT ROLE IN PROVIDING NECESSARY CAPITAL FOR EGYPT.

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ACTION NEA-10

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H-01 SP-02 COME-00 TRSE-00 OMB-01 /059 W
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P 231205Z AUG 77

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PASS TO AID

FOR ATHERTON AND WHEELER FROM AMBASSADOR

C. QAYSUNI SAID THAT SOME VERY POSITIVE FACTORS WERE NOW AT WORK IN EGYPTIAN ECONOMY. MAJOR EFFORTS HAVE NOW BEEN MADE TO CLEAR UP EGYPT'S BANK ARREARAGE PROBLEMS. IMPORTANT PROGRESS HAS BEEN MADE IN GETTING THE INVESTMENT PROGRAM GOING UNDER THE RECONSTITUTED INVESTMENT AUTHORITY AND THE REVISED LAW 43. THE SUPEREME INVESTMENT COUNCIL HAS NOW BEEN FORMALLY ESTABLISHED UNDER THE CHAIRMANSHIP OF THE PRIME MININSTER WITH AAYSUNI AS DEPUTY CHAIRMAN. THIS COUNCIL IS EXPECTED TO SEEK TO RESOLVE ISSUES ON THE FORD INVESTMENT PROPOSALS AND ONE OF ITS FIRST ACTIONS. AGREEMENT HAS NOW BEE REACHED THAT THE PLAN WILL BE A FIVE YEAR EFFORT CONVERING THE PERIOD 1978-1982 RATHER THAN 1976-1980. THIS HE BELIEVES IS A MORE REASONABLE APPROACH THAN A PLAN FOR APERIOD PARTIALLY IN THE PAST. EL SAYEH SATED THAT THE GOE HAS BEEN CONSIDERING CALLING A MINI-CG MEETING TO DISCUSS THE PLAN DURING THE FORTHCOMING IBRD/IMF MEETINS IN SEPTEMBER, ALTHOUGH QAYSUNI THOUGHT THAT MIGHT NOT BE THE RIGHT SETTING GIVEN THE PRESS OF OTHER ISSUES TO BE DISCUSSED THERE. FINALLY, QAYSUNI FELT THAT GOVERNMENT WAS PREPARED MORE REASONABLY TO DEAL WITH SUBSIDY ISSUES WITHIN THE FRAMEWORK OF SIMULTANEOUS WAGE ADJUSTMENTS, AND THIS WAS A POSITIVE FACTOR FOR THE ECONOMY. ALL THESE POINTS ARE DESCRIBED MORE COMPLETELY IN SEPTTEL.

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6. QAYSUNI CONCLUDED BY REITERATING GOE ENDORSEMENT OF SUCH A STUDY AND HIS READINESS TO BE AS COOPERATIVE AS POSSIBLE. QAYSUNI AGREED WITH THE AMBASSADOR'S OPENING REMARKS THAT THE MOST USEFUL RESULT WOULD BE A POSITIVE REPORT, REPRESENTING FULLY THE MUTUAL VIEWS AND INTERESTS OF BOTH EGYPTIAN AND AMERICAN GOVERNMENTS. THE AMBASSADOR CONCLUDED BY AGREEING THAT A STRONG, CLEAR AND POSITIVE REPORT, REPRESENTING THE INTERESTS AND VIEWS OF BOTH GOVERNMENTS, SHOULD BE CAPABLE OF PROVIDING STRONG SUPPORT FOR THE ALREADY SUBSTANTIAL CONGRESSIONAL INTEREST WHICH EXISTS IN FINANCING OF EGYPT'S ECONOMIC DEVELOPMENT NEEDS. DECONTROL FOLLOWING 8/23/79.

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